

VanEck

FUNDS

Emerging Markets End Quarter on High Note

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VanEck Emerging Markets Fund

GBFAX / EMRCX / EMRIX / EMRYX

Performance Review

The VanEck Emerging Markets Fund (the "Fund") gained 2.54% in the second quarter of 2016 (excluding sales charge), outperforming its benchmark, the Morgan Stanley Capital International Emerging Markets (MSCI EM) Index, which returned 0.80%. To compare, the MSCI Emerging Markets IMI Index returned 0.75% for the same period.

Average Annual Total Returns (%) as of June 30, 2016

	2Q16 [†]	1 Yr	3 Yr	5 Yr	10 Yr
Class A: NAV (Inception 12/20/93)	2.54	-15.75	-1.23	-1.03	3.59
Class A: Maximum 5.75% load	-3.32	-20.62	-3.17	-2.20	2.98
MSCI EM Index	0.80	-11.71	-1.21	-3.44	3.88
MSCI EM IMI Index	0.75	-11.83	-1.01	-3.26	4.19

[†]Quarterly returns are not annualized.

Market Review

At the end of first quarter of 2016, we observed: "This quarter has been one of more twists and turns in macro factors than we can, perhaps, remember." Three months later, as macro-driven turbulence continued, this statement still resonates. Markets have been challenged by Brexit, negative bond yields, a sharp appreciation in the Japanese Yen, and concerns about the rise of "populist politics" – to name but a few issues. However, despite these various continuing risk events, there have been a number of factors which have contributed to the outperformance of the emerging markets asset class for the quarter and, indeed, year-to-date.

One of the most important changes is that the U.S. dollar appears to have discovered a level of equilibrium, after a period of sharp appreciation. A strengthening U.S. dollar is not helpful for emerging markets. It negatively affects earnings, domestic liquidity, and translation of returns to U.S.-based investors. Commodities have rebounded across the board this year. Our strategy eschews investment in cyclically driven stocks, so while this is not helpful for relative performance (as discussed below), it tends to be positive for the asset class as a whole.

Expenses: Class A: Gross 1.46%; Net 1.46%. Expenses are capped contractually until 05/01/17 at 1.60% for Class A. Caps exclude certain expenses, such as interest.

The table presents past performance which is no guarantee of future results and which may be lower or higher than current performance. Returns reflect applicable fee waivers and/or expense reimbursements. Had the Fund incurred all expenses and fees, investment returns would have been reduced. Investment returns and Fund share values will fluctuate so that investor's shares, when redeemed, may be worth more or less than their original cost. Fund returns assume that dividends and capital gains distributions have been reinvested in the Fund at net asset value (NAV). Index returns assume that dividends of the Index constituents in the Index have been reinvested. Performance information current to the most recent month end is available by calling 800.826.2333 or by visiting vaneck.com.

Please refer to index descriptions on last page. One cannot invest in an index.

Please note that the information herein represents the opinion of the portfolio manager and these opinions may change at any time and from time to time. Information herein should not be construed as investment advice.

In emerging market equities, the second quarter of 2016 witnessed some of the same dynamics and factors that dominated the first quarter of the year. In particular, return dispersions between sectors and countries remained large, and large-caps continued to outperform small-caps. Commodities-related sectors and countries continued to rally (although less so than in the first quarter). Both the MSCI China and MSCI India Indices' performances improved in the second quarter, but have certainly not matched the year-to-date performance of their Latin America (LATAM) counterparts. It is worth noting that, so far this year, despite all the negative events and headlines, the MSCI EM Index is ahead of most major global indices, a marked contrast to the last five years. Gratifyingly, despite all this turmoil and confusion, and the outperformance of commodities-related sectors, our fund was able to outperform its Index in the second quarter, clawing back a significant part of the first quarter underperformance, and continuing its long run outperformance of the asset class.

On a country level, in the second quarter, LATAM emerging markets countries continued to outperform Asian emerging markets countries, led by Brazil, Peru, and Argentina. Brazil is still enjoying a post-impeachment run. Confidence in the economy has improved recently and Brazil's GDP forecast for 2017 has generally been upgraded and inflation forecasts cut. However, Brazil, as a commodity exporter, will continue to be sensitive to negative headlines regarding global growth. In addition, the structural issues relating to its fiscal accounts and lack of infrastructure will not be easily solved.

Peru performed well in the second quarter, following a positive presidential election cycle. The country also benefited from MSCI's decision to keep it in the MSCI EM Index. Argentina equities are still enjoying the country's return to global markets. Poland and Turkey were among the worst performers during the second quarter. Both countries have significant political issues to cope with, while suffering from the possible consequences of the Brexit vote.

The MSCI China Index was up slightly in the second quarter. Concern surrounding China's capital outflows has lessened, but there is still net depreciation pressure on the Yuan (CNY). In some ways, mild, engineered depreciation versus a basket of currencies, while keeping a lid on capital outflow pressures, represents a positive outcome for China. Market concern has tended to focus more on the rapid increase in leverage that we have seen in China since the global financial crisis. While we do agree that there is a significant issue that will necessitate some hard decisions, we think

that there are very significant differences in the nature of that debt and the management of the economy should prevent a systemic crisis in the foreseeable future. As a reminder, our investments in China are firmly focused on the better, more sustainable parts of the Chinese equity story. We find areas such as tourism, education, healthcare, and e-commerce to be some of the better and more predictable places to make investments in China. This contrasts with the more cyclical parts of China, involving commodities, heavy industry, and property, which may nevertheless have their "moment in the sun" from time to time.

A major, unexpected event in the second quarter for world markets and currencies was, of course, the Brexit vote in the U.K. The direct, first order implications for emerging markets are relatively small. But the long term ramifications may be very significant. The uncertainty surrounding the future relationship that the U.K. has with the rest of Europe, and, indeed, the nature of European integration going forward, is unlikely to be helpful for either U.K. or European growth. Eastern European countries, especially Poland and Hungary, will be impacted more directly, as they are recipients of European Union (EU) funds (the U.K. is a major contributor), remittances (many Eastern Europeans work in the U.K.), and trade. As for the rest of the emerging markets, the impact will likely be in the form of slower growth in Europe and the U.K., potentially affecting major trading partners and commodities exporters in the emerging markets.

Fund Review

On a country level, positioning in China was the main detractor from performance, followed by positioning in Russia and Hong Kong. On the positive side, India, Peru, and South Korea gave the Fund's relative performance a boost. At a sector level, our Chinese industrials continued to struggle, while financials generally did well.

Our top five contributor companies in the quarter were:

In India, Yes Bank Limited (2.94% of Fund net assets*) and Axis Bank (2.12% of Fund net assets*) both made the list. Yes Bank, a high quality, private sector bank, benefited from both improving loan growth and widening lending spreads. This led to significantly positive results, driven also by the bank's focus on retail, as opposed to commercial, business opportunities. In addition, as it becomes clear that the current government is unlikely to recapitalize the overly indebted state-owned banking sector, the well-managed private banks are well positioned to take considerable market share. Axis Bank is exposed to many of the above trends, but its performance in this quarter was driven as much by the recovery

in the share price after the initial poor reaction from investors to its conservative provisioning announcement in the first quarter.

Long-term portfolio position Chinese internet company, Tencent Holdings (3.11% of Fund net assets*) reported very strong first quarter revenue and profit numbers, and continued to be driven by its core games business. Upgrades to earnings and an increase in the share price quickly followed. It remains a core holding.

In Peru, in addition to its improving asset quality, consistent performance, and asset growth, financial holding company Credicorp Ltd. (2.38% of Fund net assets*) benefited from an uptick in the commodities markets, together with the turnaround in the Peruvian market, during the six month period. This followed a second half in 2015 when uncertainty as to whether the country would be reclassified by MSCI Indexers weighed heavily on its stocks and the recent resolution of political uncertainty with the election of Pedro Pablo Kuczynski as the country's president.

Smiles SA (1.10% of Fund net assets*), a Brazilian company, performed commendably over the first six months of the year. The company provides value-added operations to "air mile" programs in Latin America. The company has benefited both from being a Brazilian Real-based stock, and from the country's recent recovery.

Our bottom five contributor companies in the second quarter were:

Chinese internet companies JD.com (2.92% of Fund net assets*) and Baidu Inc. (1.75% of Fund net assets*) were among the fund's worst performers for the quarter. JD.com, an e-commerce company, disclosed some superficially negative data points regarding top-line sales which caused further multiple contraction. However, we believe the valuations do not fully reflect the considerable growth opportunities in the e-commerce sector in China and we are inclined to remain patient. Baidu suffered from regulatory issues surrounding advertising in the healthcare sector. The company was forced to cut back on revenue from this lucrative sector until resolution becomes clearer, hurting earnings.

Having been forced to change its business model, Hong Kong-listed, China-based Boer Power Holdings Ltd. (0.30% of Fund net assets*), which provides electrical distribution solutions, faced increased business risk in our opinion. The company's leverage increased as it took on higher levels of accounts receivable. Although we have reduced our exposure to the company until the outlook becomes more predictable, we continue to believe that the company will

continue to be a beneficiary of the development of a smarter grid in China.

CAR Inc. (1.19% of Fund net assets*), based in Hong Kong, is the largest auto rental company in China and provides vehicles to U-Car, a partner providing ("Uber-like") chauffeured car services in China. The issues around this company, and its recent poor performance, center on uncertainty surrounding the regulatory environment that has led U-Car to scale back its investment and, thus, use fewer CAR Inc. vehicles. The management remains focused, however, on the very valuable core rental business.

Catcher Technology (1.41% of Fund net assets*) is one of the leaders in the high-end supply chain to the smart phone industry. The shares and earnings were both softer for the quarter in line with reduced sales in the sector overall and concerns over its metal casing that was supposed to be used in future smartphones.

Outlook

We are constructive on the continuing outperformance of emerging markets in a global context. We continue to implement our philosophy of structural growth at a reasonable price. We find that there are many areas of superior, sustained growth that are essentially non-cyclical in nature and that should provide reliable opportunities for well-managed companies to exploit. In some places, demographics are very positive, and consumer preferences and labor skills continue to evolve quickly. Other countries are taking seriously the structural reforms and skills investment necessary to advance their economies from the middle income level.

We continue to be very excited by the services and financial sectors. Within these, we are interested in participating in companies where strong, innovative management teams are able to capitalize on dynamic change and extract real value, including e-commerce, internet services, healthcare, travel, and education, and very specific, consumer-focused, financial services business models.

Taking pockets of reliable structural growth in the emerging markets as a starting point, and then adding to these the expectation of a continued benign U.S. dollar environment, we believe should lead to decent relative returns from our Fund in this growth challenged world. Volatility in commodities may help, or hurt, our relative performance at the margin, quarter by quarter. But, over the medium- to longer-term horizon, we continue to believe we are able to access superior non-cyclical, repeatable, risk-adjusted returns for our investors. We continue to discover – and invest in – great companies with strong

competitive advantages. As we always point out, for periods of time, countries and sectors may drift in and out of favor with investors and cause us bouts of underperformance. However, great companies – regardless of their home country – usually have strong cash flows to invest consistently in their businesses, and compound long-term structural trends despite short-term periods of underperformance against either a benchmark or cyclical sectors. We remain disciplined during these periods and add to positions where valuations guide us, but we do not chase short-term trends or short-term shifts in investor preference.

*All country and company weightings as of June 30, 2016.

A State-Owned Enterprise (SOE) is a legal entity created by a government with the purpose to partake in commercial activities on the government's behalf.

All indices listed are unmanaged indices and include the reinvestment of all dividends, but do not reflect the payment of transaction costs, advisory fees or expenses that are associated with an investment in the Fund. An index's performance is not illustrative of the Fund's performance. Indices are not securities in which investments can be made. The Morgan Stanley Capital International (MSCI) Emerging Markets Index captures large- and mid-cap representation across 23 Emerging Markets (EM) countries. With 836 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Emerging Markets Investable Market Index (IMI) captures large, mid and small cap representation across 23 Emerging Markets (EM) countries. With 2,628 constituents, the index covers approximately 99% of the free float-adjusted market capitalization in each country. MSCI All Country World Index (ACWI) captures large and mid cap representation across 23 Developed Markets (DM) and 23 Emerging Markets (EM) countries. With 2,483 constituents, the index covers approximately 85% of the global investable equity opportunity set.

Diversification does not assure a profit or prevent against a loss.

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The Fund is subject to the risks associated with its investments in emerging markets securities, which tend to be more volatile and less liquid than securities traded in developed countries. The Fund's investments in foreign securities involve risks related to adverse political and economic developments unique to a country or a region, currency fluctuations or controls, and the possibility of arbitrary action by foreign governments, including the takeover of property without adequate compensation or imposition of prohibitive taxation. The Fund is subject to risks associated with investments in derivatives, illiquid securities, and small or mid-cap companies. The Fund is also subject to inflation risk, market risk, non-diversification risk, and leverage risk. Please see the prospectus and summary prospectus for information on these and other risk considerations.

Please call 800.826.2333 or visit vaneck.com for performance information current to the most recent month end and for a free prospectus and summary prospectus. An investor should consider the Fund's investment objective, risks, and charges and expenses carefully before investing. The prospectus and summary prospectus contain this as well as other information. Please read them carefully before investing.



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